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Viewing cable 05SANJOSE2020, CHINESE ACTIVITIES IN COSTA RICA

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Understanding cables

Every cable message consists of three parts:

- The top box shows each cable's unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

Discussing cables

If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#05SANJOSE2020**.

Reference ID	Created	Released	Classification	Origin
05SANJOSE2020	2005-08-26 22:27	2011-08-30 01:44	CONFIDENTIAL	Embassy San Jose

Appears in these articles:

<http://www.nacion.com/2011-03-04/Investigacion/NotasDestacadas/Investigacion2697549.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697564.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotaPrincipal/Investigacion2697557.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697581.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2697579.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/NotasSecundarias/Investigacion2702553.aspx>
<http://www.nacion.com/2011-03-04/Investigacion/Relacionados/Investigacion2702554.aspx>

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 04 SAN JOSE 002020

SIPDIS

EAP/CM FOR KLEE
WHA/PCP FOR JBISCHOFF
WHA/EPSC FOR LGUMBINER

E.O. 12958: DECL: 08/26/2025
TAGS: [ECON](#) [PREL](#) [ETRD](#) [ETTC](#) [EINV](#) [ENRG](#) [EAGR](#) [EFIN](#) [PHUM](#) [EMIN](#) [CH](#) [CS](#) [ESENV](#)
SUBJECT: CHINESE ACTIVITIES IN COSTA RICA

REF: A. SECSTATE 138041
[1](#)B. SAN JOSE 01940

Classified By: Charge Russell Frisbie, reasons 1.4(b) and (d)

[1](#)1. (C) Summary. Costa Rica officially established diplomatic relations with Taiwan in 1959 and is one of only 26 countries to officially recognize Taiwan. Costa Rica has no official diplomatic ties with the People's Republic of China (China or PRC). (Note: Post will follow WTO naming conventions with respect to economic indicators, i.e., China refers to the PRC but not Hong Kong.) Taiwan is actively involved in funding transportation and other development projects in Costa Rica. Despite the long history of close ties with Taiwan, Chinese involvement in Costa Rica, primarily through trade, is growing. Trade between Costa Rica and the PRC is ten times that with Taiwan. This gap will only continue to widen as China's development advances. President Pacheco's recent trip to Asia in August 2005, which included stops in Taipei and Tokyo, have brought recent media focus on a variety of trade issues with Asian countries, including China (Ref B). End Summary.

INTERVIEW WITH THE MINISTER OF FOREIGN AFFAIRS

12. (C) On August 1, 2005, the Costa Rican Minister of Foreign Affairs (MFA), Roberto Tovar told us that there have been no official government-to-government contacts with the PRC, probably because the PRC knows that the current administration is not interested. Minister Tovar continued by saying that the Chinese are finding other ways to increase their presence in Costa Rica. As an example, he stated that imports from the PRC have grown exponentially in recent years. He believes the PRC is trying to cultivate certain Legislative Assembly members (deputies) and is behind creation of an unofficial "Friends of China Committee" in the Legislative Assembly. Note: Based on conversations with Assembly staff members, a group of deputies is assigned to deal with China-related issues in an ad hoc manner and on an unofficial basis. These deputies include Guido Vega (PLN), Jorge Alvarez (PUSC), and Francisco Sanchun (PUSC).

13. (C) From Tovar's point of view, Chinese interlocutors appear to be concentrating on members of the National Liberation Party (PLN), due to the likelihood that Oscar Arias, the PLN presidential candidate, will win in the upcoming February 2006 elections. An Arias win may also help sweep PLN deputies into the 57-member Assembly. San Jose Mayor Johnny Araya, a PLN member, was recently a guest of the Chinese in Beijing. Tovar said that PLN president Antonio Pacheco visited his office some time ago to ask for visas for high-level PRC officials. (Tovar did not say if they received their visas.) Finally, Tovar guessed that Arias might look favorably on establishing relations with the PRC, and the PRC may be working through PLN members to persuade him to do so. Tovar stated that he thinks relations with China, after the Pacheco administration ends in May 2006, could develop in stages, as is occurring in Panama. Tovar said that the PRC will most likely try to first establish a commercial office with some diplomatic status.

TRADE WITH CHINA AND HONG KONG

14. (U) President Pacheco's recent visit to Taiwan and Japan in August 2005, focused the media on the economic aspect of Costa Rican-Asian relations, including with China (Ref B). An August 22, 2005, "La Nacion" article covered the rapid growth in both imports from and exports to China and Hong Kong. Exports to China and Hong Kong reached approximately USD 300 million in 2004, up from USD 30 million in 2000. Over the same period imports from China and Hong Kong grew from USD 106 million to USD 330 million. In 2004, Costa Rica ran a trade surplus of USD 79.1 million with Hong Kong and a deficit of USD 109 million with China. It is clear that the PRC is emerging as an important trade partner for Costa Rica, particularly as a supplier of goods. China has outpaced Taiwan and even Hong Kong during the last five years in terms of total trade with Costa Rica.

15. (U) In 2000, Costa Rican imports from China were USD 78.4 million and exports were USD 12.7 million (this was equivalent to 1.4 percent of Costa Rica's total foreign trade that year). Statistics related to Hong Kong for 2000 were USD 37.5 million in imports and USD 17.4 million in exports. By 2004, imports from China had grown to USD 272.5 million and exports to USD 162.3 million (for Hong Kong, imports amounted to USD 57.7 million and exports were USD 136.8 million). This resulted in China accounting for 5.9 percent of Costa Rica's total trade in 2004. In a short time, Hong Kong and China thus have positioned themselves among Costa Rica's top 10 trading partners. In the first seven months of 2005, exports to China grew 185.5 percent with respect to the same period in 2004. If current trends continue, the PRC will soon be Costa Rica's second largest trading partner after the U.S.

16. (U) The majority of Costa Rican exports to China are high technology electronic devices such as microprocessors, modular circuits and semiconductors (Intel has a large operation in Costa Rica) and leather garments. Demand for Costa Rican exports of ornamental plants, agro-industrial products, seafood and aqua-culture is increasing, especially in Hong Kong. Imports from China include cotton textiles, radio-telephone reception devices, and video- and photo-recording and reproducing devices.

17. (U) TABLE ONE - COSTA RICAN EXPORTS*

	2000	2001	2002	2003	2004
Total Exports (USD and %)	5,897.3 (100.0%)	5,042.8 (100.0%)	5,280.5 (100.0%)	6,100.2 (100.0%)	6,293.0 (100.0%)
U.S.A	3,056.7 (51.8%)	2,504.8 (49.7%)	2,650.4 (50.2%)	2,834.1 (46.5%)	2,775.7 (44.1%)
China	12.7	13.8	33.7	88.9	162.3

	(0.2%)	(0.3%)	(0.6%)	(1.5%)	(2.6%)
Hong Kong	17.4 (0.3%)	27.3 (0.5%)	51.6 (1.0%)	132.8 (2.2%)	136.8 (2.2%)
PRC Total	30.1 (0.5%)	41.1 (0.8%)	85.3 (1.6%)	221.7 (3.7%)	299.1 (4.8%)
Taiwan	9.9 (0.2%)	11.3 (0.2%)	22.9 (0.4%)	38.4 (0.6%)	34.8 (0.6%)

18. (U) TABLE TWO - COSTA RICAN IMPORTS*

	2000	2001	2002	2003	2004
Total Imports (USD and %)	6,373.3 (100.0%)	6,546.3 (100.0%)	7,174.5 (100.0%)	7,643.1 (100.0%)	8,268.0 (100.0%)
U.S.A	3,388.0 (53.2%)	3,504.1 (53.5%)	3,805.8 (53.0%)	3,883.4 (50.8%)	3,796.0 (45.9%)
China	78.4 (1.2%)	100.5 (1.5%)	121.6 (1.7%)	160.2 (2.1%)	272.5 (3.3%)
Hong Kong	37.5 (0.6%)	41.8 (0.6%)	45.0 (0.6%)	49.9 (0.7%)	57.7 (0.7%)
PRC Total	115.9 (0.5%)	142.3 (0.8%)	166.6 (1.6%)	210.1 (3.7%)	330.2 (4.8%)
Taiwan	65.4 (1.0%)	68.3 (1.0%)	66.2 (0.9%)	66.4 (0.9%)	71.1 (0.9%)

*Data Sources: Costa Rican Ministry of Foreign Trade (COMEX), The Foreign Trade Corporation of Costa Rica (PROCIMER), and the Costa Rican Central Bank (BCCR).

19. (U) Environmental degradation related to Chinese energy or other natural resource demands is currently not a concern in Costa Rica. Costa Rica has a long history of environmental stewardship, and all indications are that this policy will continue regardless of Chinese demand for resources. However, China's growing energy needs and its effect on oil prices may have negative economic effects in Costa Rica, a country that imports all of its oil.

10. (U) According to the BCCR, the PRC has directly invested approximately USD 1.7 million in Costa Rica over the last five years, primarily in business infrastructure. This compares to FDI of USD 2.5 billion in Costa Rica by the U.S.

ATTITUDES TOWARD CHINA

11. (C) Popular attitudes toward China vary. On the one hand, Chinese imports offer relatively low-priced goods to consumers. On the other hand, Costa Rica is running a trade deficit with the PRC, and China is seen as a threat to some Costa Rican industries. However, issues surrounding the rapid growth of the Chinese economy are covered regularly in the press, and it is acknowledged that China will be an economic force to be reckoned with. There is no evidence of widespread negative attitudes toward the PRC. COMMENT: Attitudes toward Taiwan also vary. Because of Taiwan's funding of many development projects, Taiwan is generally viewed positively. However, Taiwanese officials have been implicated in several high-profile scandals involving illegal campaign contributions and funding the MFA, and this has resulted in a degree of skepticism of Taiwanese government motives in Costa Rica. END COMMENT.

12. (C) With respect to trade issues, many Costa Ricans look upon the Chinese as fierce competitors and, in some industries, an imminent threat. Anecdotal evidence may lead to the conclusion that some jobs, especially in the textile and apparel industries, have moved from Costa Rica to China due to lower wages. Textile industry experts in Costa Rica have told Econoff that it is getting more difficult to compete against the Chinese, and the United States-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR), which will make permanent tariff-free textile exports to the U.S. market, is seen as the industry's only hope to survive in Costa Rica. (Note: For reasons unrelated to the subject of this correspondence, Costa Rica has not yet ratified CAFTA-DR.)

13. (C) Econoff attended a textile industry sourcing seminar held in Costa Rica in July 2005 in which U.S., Central, and South American manufacturers were urged not only to study the successful nature of the Chinese textile industry in order to learn about their competition, but also to seek Chinese companies with which they could partner in an attempt to leverage the efficiencies of the Central and South

American manufacturers.

CHINESE IN COSTA RICA

14. (C) Based on a June 2000 census, the Costa Rican National Institute of Statistics and Census (INEC) states that there were approximately 8,000 respondents who identified themselves as Chinese out of an estimated 4 million Costa Ricans. (Note: There was no differentiation drawn between Taiwanese and persons from China or Hong Kong.)

This number, however, is probably far lower than the actual number of Chinese who reside in Costa Rica and does not include Costa Ricans of Chinese ethnicity. Anecdotal evidence revealed that there are probably more Chinese who have immigrated to Costa Rica than Taiwanese over the last several years. According to Costa Rican immigration sources, approximately 4,400 Chinese and 2,300 Taiwanese currently have resident status in Costa Rica. Also, the annual number of PRC tourists in Costa Rica has ranged from 2,500 to 5,000. The numbers from Taiwan are about 3,000 per year.

Non-immigrant visa applicants at the U.S. consulate in San Jose average about 400 Chinese per year and 200 Taiwanese per year.

NO MILITARY TIES TO THE PRC

15. (C) Costa Rica's military forces were disbanded by the Constitution that was ratified in 1949. There are no military forces per se, although a Coast Guard force does exist under the auspices of the Ministry of Public Security. Post maintains close contact with this Ministry, and there are no indications of any interactions with the PRC.

PRC PRESS IN COSTA RICA

16. (C) The Xinhua News Agency, the official PRC state-run information organization, has an office in San Jose and maintains a Spanish-language website (www.spanish.xinhuanet.com). This organization covers news of interest to China as well as Central American current events. This agency also offers information about all aspects of Chinese culture including economics, history, politics, etc. The local television cable system carries one Beijing-based, Chinese-language station.

COMMENT

17. (C) China has no official ties with Costa Rica. However, due to the burgeoning Chinese economy and accelerating pace of development, trade between the two countries will grow and may result in closer ties. Although still running a trade deficit with China, Costa Rican exports to the PRC jumped ten-fold from 2000 to 2004. These numbers will only increase and result in closer economic ties between the two countries. However, it may be difficult to establish official relations with China considering the long history of diplomatic and financial ties between Costa Rica and Taiwan. President Pacheco's recent trip to Taipei has reinforced those diplomatic ties, but it will be difficult to ignore the ever-growing economic presence of a developing China. A new administration will take office in May 2006, which may bring gradual changes to the relationship with the PRC.

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